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C O N F I D E N T I A L SECTION 01 OF 02 ABUJA 001700

SIPDIS

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TAGS: [ELAB](#) [EPET](#) [ENRG](#) [PGOV](#) [PHUM](#) [ASEC](#) [CASC](#) [NI](#)

SUBJECT: NIGERIA: FUEL PRICES HIKE BY FIAT

REF: ABUJA 1195

Classified by POL Russell J. Hanks. Reasons: 1.5 (B&D).

Fuel Price Raised Without Notice

¶11. (C) This morning Nigerians returned to work after yesterday's public holiday and learned from the media that the GON had deregulated the downstream oil sector. According to a fuel marketer, the notification came in a letter on September 29 which said that the GON would not subsidize fuel after October 1, but urged marketers to keep the price below 40 Naira per liter for the month of October. Fuel prices at independent gas stations rose from the former fixed price of 34 Naira to 39.9 Naira. The GON and President Obasanjo made no public announcement of the deregulation, with Obasanjo eschewing the opportunity to address it in his Independence day address October 1. As of late afternoon today, the GON has yet to make an announcement. Petroleum products marketers can now charge any price for their products. Nonetheless, most stations prices in major cities remain below 40 Naira, the price Obasanjo wanted to fix the price during last July's nation-wide strike.

Government Officials Caught Off Guard

¶12. (C) National Representative Faruk Aliyu, National Assembly Chairman for Media Affairs, told Poloff this morning that National Assembly members also learned of the fuel price hikes from the newspapers. Dr. Oluwole Oluleye, the Executive Secretary of the Product Price Regulatory Agency (PPRA), stated that for now prices at the few GON-owned stations will remain at 34 Naira a liter, while others are free to charge what they wish. Oluleye also said that the PPRA had approved the deregulation of the downstream sector. COMMENT: The PPRA, which was established by Obasanjo as the advisory board to determine fuel prices, will likely be disbanded in the next few months because it will serve no purpose in a deregulated market. The PPRA, contrary to Oluleye's statement to Econoff, has made no official announcement supporting deregulation of the downstream sector. END COMMENT.

Labor to Call Nationwide Strike Early Next Week?

¶13. (U) The Nigeria Labour Congress (NLC) immediately denounced deregulation and promised nation-wide strikes next week. NLC President Osiomhole also vowed to disrupt the All Africa Games, set to begin on October 4. NLC officials confirmed that they are prepared for an extended strike, promising that NUPENG and PENGASSAN (white and blue collar petroleum) will join the strike and disrupt oil production.

Fuel Survey

¶14. (U) According to Embassy's unofficial price survey, fuel prices in Abuja remained at 34 Naira (official GON rate) at the only NNPC (GON-owned) gas station in town, while prices varied from 39 to 39.9 Naira at independent stations. At stations with fuel North of Abuja, prices range from 50 to 60 Naira a liter, but fuel shortages remain chronic especially in Northeast and Northwest Nigeria. In Lagos and the South, prices hovered at 39 Naira.

Comment: Calm Before the Storm?

15. (C) During the last nation-wide fuel strike in early July this year, organized labor flexed its muscles by bringing the country to a near halt for eight days and winning a concession from the GON. As in July, the GON again neglected to consult with the unions and general public before yesterday's increase. In spite of the NLC promising a nation-wide strike next week, the GON will not likely budge from downstream deregulation. By not announcing the hike officially, it appears the GON is trying insulate itself from a harsh reaction. If the political pressure is too great, Obasanjo and the GON can blame the hike on a "miscommunication" and avoid the full blame. The nation remains calm today, but if the national mood at the end of the last strike is an indicator, a new strike could attract widespread support soon after the NLC announces its intentions.

MEECE